

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-10 ISO-00 SP-02 AID-05 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-02 H-02

PA-02 PRS-01 USIA-15 CIAE-00 COME-00 FRB-01 INR-07

NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01 /110 W

----- 056781

R 161501Z MAY 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 0139

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

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DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING MAY 15)

REF.: BONN 7526

1. REDUCTION IN INTEREST RATES FOR EXPORT CREDITS:

EFFECTIVE MAY 7 THE AUSFUHRKREDITGESELLSCHAFT (AKA; EXPORT CREDIT CORPORATION) REDUCED THE INTEREST RATE FOR EXPORT CREDITS OF ITS A FUND FROM 9 1/4 PERCENT TO 9 PERCENT. (CREDITS FROM THE A FUND ARE PROVIDED BY THE AKA MEMBER BANKS TO FINANCE GERMAN SUPPLIER CREDITS.) AT THE SAME TIME THE INTEREST RATE FOR EXPORT UNCLASSIFIED

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CREDITS OF THE C FUND WAS REDUCED BY 1/4 PERCENT TO

9 PERCENT. (C FUND CREDITS ARE PROVIDED BY THE AKA MEMBER BANKS FOR THE GRANTING OF BUYER CREDITS.) THE AKA ANNOUNCED THAT, EFFECTIVE JUNE 2, 1975, INTEREST RATES FOR BOTH FUND A AND FUND C CREDITS WILL BE REDUCED BY AN ADDITIONAL 1/2 PERCENT TO 8.5 PERCENT.

2. FOREIGN EXCHANGE MARKET: THE DOLLAR WEAKENED DURING THE REPORTING WEEK BUT RECOVERED MUCH OF THE LOSSES ON MAY 15. THE MAY 14 DOLLAR RATE WAS THE LOWEST SINCE MARCH 21 OF THIS YEAR. THE GERMAN FINANCIAL PRESS ATTRIBUTED THE WEAKENING TO SUCH FACTORS AS THE WEAKNESS OF THE POUND STERLING, THE DOWNTURN IN SHORT-TERM US INTEREST RATES AND THE CAMBODIAN SEIZURE OF THE US CONTAINER SHIP. DURING THE REPORTING WEEK SPOT AND FORWARD DOLLAR RATES DEVELOPED AS FOLLOWS:

FORWARD DOLLARS
(DISCOUNTS IN PCT.P.A.)
SPOT DOLLARS ONE-MONTH THREE-MONTH

MAY 9	DM 2.3560	-1.0	-1.9
12	2.3595	-1.0	-2.0
13	2.3350	-0.5	-1.9
14	2.3305	-0.5	-1.5
15	2.3505	-0.5	-1.4

WITHIN THE JOINT FLOAT THE DEUTSCHEMARK STRENGTHENED AGAINST DUTCH GULDERS AND BELGIAN FRANCS, AND REMAINED UNCHANGED AGAINST DANISH AND NORWEGIAN CROWNS. AT THE END OF THE REPORTING WEEK WITH THE EXCEPTION OF THE SWEDISH CROWN ALL FLOAT CURRENCIES WERE BELOW THEIR UPPER INTERVENTION RATE. ON MAY 9 AND 12 THE BUNDES BANK INTERVENED WITH SALES OF SWEDISH CROWNS.

3. MONEY MARKET: THE GERMAN MONEY MARKET TIGHTENED WITH ALL MONEY RATES HAVING REACHED OR EXCEEDED THE 5 PERCENT REDISCOUNT RATE. DURING THE REPORTING WEEK FRANKFURT INTERBANK MONEY RATES DEVELOPED AS FOLLOWS:

CALL MONEY ONE-MONTH MONEY THREE-MONTH MONEY
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MAY9	4.8-5.1	4.7-4.9	4.7-5.0
12	4.9-5.1	4.8-4.9	4.8-5.0
13	5.0-5.2	4.8-4.9	4.8-5.1
14	5.1-5.3	4.8-5.0	4.9-5.1
15	5.4-5.7	5.0-5.4	5.0-5.4

4. BUNDES BANK FOREIGN POSITION: IN THE FIRST WEEK

OF MAY (MAY 1-7) THE BUNDES BANK'S NET FOREIGN POSITION DECLINED BY DM 0.5 MILLION TO DM 83.2 BILLION. HOLDINGS OF LIQUID FOREIGN EXCHANGE DECLINED BY 288 MILLION AND GERMANY'S IMF GOLD TRANCHE POSITION BY DM 38 MILLION. GROSS LIABILITIES INCREASED BY ABOUT DM 170 MILLION. THE BUNDES BANK ATTRIBUTED THE DECLINE IN ITS FOREIGN POSITION TO INTERVENTIONS WITHIN THE JOINT FLOAT AND TO SALES OF FOREIGN EXCHANGE IN ORDER TO SMOOTH OUT FLUCTUATIONS IN THE RATE OF THE DEUTSCHE-

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INFO OCT-01 EUR-12 EA-10 ISO-00 SP-02 AID-05 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-02 H-02

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USMISSION EC BRUSSELS

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AMCONSUL FRANKFURT

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MARK AGAINST THE US DOLLAR.

5. BANK LIQUIDITY: IN THE FIRST WEEK OF MAY BANK LIQUIDITY INCREASED BY DM 2.4 BILLION. PRINCIPAL FACTORS INCREASING LIQUIDITY WERE THE USUAL DECLINE IN CURRENCY IN CIRCULATION AT THE BEGINNING OF A MONTH (DM 1.0 BILLION), AND PAYMENTS BY PUBLIC AUTHORITIES OF DM 2.4 BILLION WHICH WERE FINANCED BY A DM 0.9 BILLION INCREASE IN THE CASH CREDIT GRANTED BY THE BUNDES BANK TO THE FEDERAL GOVERNMENT, AND A DM 1.5 BILLION DECLINE IN OFFICIAL NET ASSETS HELD AT THE BUNDES BANK. THE LATTER DECLINE INCLUDED EXPENDITURES OF DM 0.8 BILLION OF THE FEDERAL GOVERNMENT'S DM 2.5 BILLION STABILITY LOAN WHICH UNCLASSIFIED

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WAS FLOATED IN 1973. (DURING THE LAST WEEK OF APRIL THE GOVERNMENT HAD SPENT DM 1.7 BILLION (SEE BONN 7526) OF THE STABILITY LOAN SO THAT IT IS NOW FULLY EXHAUSTED.) THE ONLY MAJOR FACTOR REDUCING LIQUIDITY WAS THE ABOVE-MENTIONED DECLINE IN THE BUNDES BANK'S FOREIGN POSITION. OTHER FACTORS (NET) REDUCED LIQUIDITY BY DM 0.5 BILLION. THE BANKS USED THE INCREASE IN LIQUIDITY TO REDUCE LOMBARD BORROWINGS BY DM 2.0 BILLION (TO PRACTICALLY ZERO) AND REDISCOUNT BORROWINGS BY DM 0.4 BILLION.

6. BOND MARKET: DURING THE REPORTING WEEK FAZ AVERAGE YIELDS TO MATURITY OF OUTSTANDING DOMESTIC BONDS DEVELOPED AS FOLLOWS:

8 PERCENT 7 PERCENT 6 PERCENT

MAY 9	8.82	8.85	8.46
12	8.82	8.83	8.44
13	8.79	8.82	8.38
14	8.78	8.79	8.37
15	8.73	8.77	8.38

THE LAND NORTH RHINE-WESTPHALIA HAS SOLD BY WAY OF TENDER MEDIUM-TERM NOTES. SUCH SALES AMOUNTED TO DM 452 MILLION. CONDITIONS OF THE NOTES: COUPON 7 1/2 PERCENT, ISSUE PRICE 99.20, MATURITY 4 YEARS, YIELD TO MATURITY 7.74 PERCENT.) THE NORWEGIAN INDUSTRIAL CORPORATION BORREGARD REPORTEDLY SOLD DM 50 MILLION OF BONDS THROUGH PRIVATE PLACEMENT (COUPON 9 PERCENT, ISSUE PRICE 99). THE SWEDISH FIRM MO OCH DOMSJOE (MODO) PLANS TO ISSUE A DM 50 MILLION LOAN (COUPON 9 PERCENT, AVERAGE MATURITY 6 1/2 YEARS, ISSUE PRICE NOT YET DETERMINED).

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